

Township of Atlas

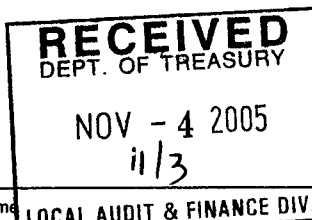
Goodrich, Michigan

**Annual Financial Statements
and
Auditors' Report**

March 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.



Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Atlas	County Genesee
Audit Date 3/31/05	Opinion Date 5/13/05	Date Accountant Report Submitted to State: 10/25/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Yeo & Yeo, P.C.			
Street Address 6639 Centurion Drive, Suite 170	City Lansing	State MI	ZIP 48917
Accountant Signature 		Date 10/23/05	

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Township of Atlas
List of Elected Officials
March 31, 2005

Township Board

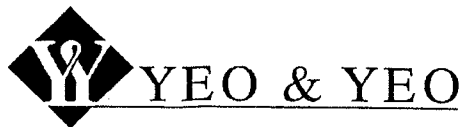
Paul Amman - Supervisor

Ann Marie Slagle - Treasurer

Teresa L. Onica - Clerk

Barry June - Trustee

Scott Statson - Trustee



6639 Centurion Drive, Suite 170
Lansing, MI 48917
Phone (517) 323-9500
Fax (517) 323-8360

Independent Auditors' Report

To the Board
Township of Atlas
Goodrich, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Atlas as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Atlas as of March 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township Board has implemented a new reporting model as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* and Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2003.

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Township of Atlas's the basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

May 13, 2005
Lansing, Michigan

**Atlas Township
Management's Discussion and Analysis
For the Year Ended March 31, 2005**

Atlas Township (the "Township"), Michigan is in its first year of implementation of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Township's management's discussion and analysis of the financial results for the fiscal year ended March 31, 2005.

This is the first financial report presented in the format required by the Governmental Accounting Standards Board (GASB) in their Statement Number 34 issued in June of 2000. Certain comparative information, ordinarily required, is not available the first year that the financial statements are prepared according to GASB 34 guidelines. Subsequent reports will include a prior year comparison of results.

Overview of Financial Statements

The annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the required supplementary information, and other supplemental information. Generally Accepted Accounting Principles (GAAP) according to GASB 34 now requires the reporting of two types of financial statements: Government-wide Financial Statements and Fund Financial Statements.

Government-wide Financial Statements:

The Government-wide statements are new and provide a perspective of the Township as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two Government-wide statements: The Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets (page 4-1) combines and consolidates the governmental fund current financial resources (short-term spendable resources) with capital assets, regardless of whether they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities (page 4-3) accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of the various townships' services.

When analyzed together, the two statements help the reader determine whether the Township is financially stronger or weaker as a result of the year's activities.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Township can be divided into two categories: governmental funds and fiduciary fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year (fund balance).

**Atlas Township
Management's Discussion and Analysis
For the Year Ended March 31, 2005**

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Township's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The Township maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, fire protection, police administrative, Green Ridge paving debt service and capital projects funds, each of which are considered to be a major fund. The sewer receiving, Atlas Meadows septic, building authority fire hall, and East Lake paving assessment are considered non major funds and are presented in a combined column for reporting purposes.

The Township adopts an annual appropriated budget for the general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected in the Government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*, and other supplemental information concerning Township's indebtedness, concerning budgetary information for the Township's major funds.

**Atlas Township
Management's Discussion and Analysis
For the Year Ended March 31, 2005**

SUMMARY OF NET ASSETS:

Township's Net Assets

The following summarizes the Township's net assets at fiscal year ended March 31, 2005.

Assets	
Current assets	\$ 2,923,789
Capital assets	1,863,843
Less accumulated depreciation	<u>(842,157)</u>
Total capital assets	<u>1,021,686</u>
Total assets	<u>3,945,475</u>
Liabilities	
Current liabilities	161,686
Long-term liabilities	<u>624,000</u>
Total liabilities	<u>785,686</u>
Net assets	
Investment in capital assets, net of related debt	616,686
Restricted	633,769
Unrestricted	<u>1,909,234</u>
Total net assets	<u>\$ 3,159,689</u>

A portion of the Township's net assets reflects its investment in capital assets (e.g. land, buildings, equipment), less any related debt used to acquire those assets that are still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Township's Changes in Net Assets

Revenues:

Program revenue	
Charges for services	\$ 155,639
Capital grants and contributions	60,174
General revenue:	
Property taxes	873,103
State shared revenue	396,750
Interest and investment earnings	33,605
Miscellaneous	<u>322,085</u>
Total revenues	<u>\$ 1,841,356</u>

During the fiscal year ended March 31, 2005, the Township's net assets increased by \$201,302.

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of Atlas Township, assets exceeded liabilities by \$3,159,689.

**Atlas Township
Management's Discussion and Analysis
For the Year Ended March 31, 2005**

Expenses:

General government	\$ 408,570
Public safety	620,293
Public works	548,835
Community and Economic Development	24,878
Recreation and culture	4,952
Other	<u>32,526</u>
Total expenses	<u>1,640,054</u>
Change in net assets	<u>201,302</u>
Net assets - beginning (as previously reported)	2,802,390
Prior period adjustment	<u>155,997</u>
Net assets - beginning (restated)	<u>2,958,387</u>
Net assets - ending	<u>\$ 3,159,689</u>

Governmental activities

The Township's total governmental revenue has increased by \$93,410 from last fiscal year. This was primarily attributed to a increase in property taxes of \$52,231, federal grants of \$14,317, charges for services of \$22,193, and other net revenues of \$4,669. Expenses increased by \$43,811. The increases in public works expenditures of \$90,300 and community development programs of \$24,878 were offset by a decrease in interest and fiscal charges of \$56,818 and other program expenditure decreases of \$14,549.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$2,618,477 an increase of \$262,002 in comparison with the prior year. \$1,595,743 of the \$2,618,477 fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the Township's discretion.

The general fund is the main operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,380,756. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents approximately 139% of total general fund expenditures.

The fund balance of the General Fund increased by \$307,477 during the current fiscal year and is primarily attributable to current revenue exceeding expenses by \$151,480 and \$155,997 adjustment to beginning fund balance for revenue related to a prior period.

The fund balance of the Fire Protection Fund increased by \$70,146 during the current fiscal year and was due to decreases in spending.

The fund balance of the Police Administrative Board decreased by \$103,264 during the current fiscal year and was due to cost of services exceeding revenues.

**Atlas Township
Management's Discussion and Analysis
For the Year Ended March 31, 2005**

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The most significant budgeted fund is the General Fund. The General Fund budget was amended during the year. As additional information became known during the fiscal year, budget amendments were made to recognize the additional revenue and/or planned expenditures related to various Township programs.

There are no differences between the original and final amended budgets.

Capital Assets and Debt Administration:

Capital Assets

The Townships investment in capital assets for its governmental activities as of March 31, 2005, amounted to \$1,021,686 (net of accumulated depreciation). Investment in capital assets included land, buildings, and equipment.

	Balance April 1, 2004	Additions	Disposals	Balance March 31, 2005
Capital assets not being depreciated				
Land	\$ 19,001	\$ -	\$ -	\$ 19,001
Capital assets being depreciated				
Buildings and improvements	999,581	-	-	999,581
Furniture and equipment	97,881	104,691	-	202,572
Vehicles	642,689	-	-	642,689
Capital assets	1,759,152	104,691	-	1,863,843
Less:				
Accumulated depreciation	(763,040)	(79,117)	-	(842,157)
Governmental activities capital assets, net	\$ 996,112	\$ 25,574	\$ -	\$ 1,021,686

Long-term Debt

At the end of the current fiscal year, the Township had total long-term debt outstanding of \$624,000.

	Balance April 1, 2004	Additions	Reductions	Balance March 31, 2005
General obligation bonds	\$ 480,000	\$ -	\$ 75,000	\$ 405,000
Special assessments	259,000	-	40,000	219,000
	<u>\$ 739,000</u>	<u>\$ -</u>	<u>\$ 115,000</u>	<u>\$ 624,000</u>

**Atlas Township
Management's Discussion and Analysis
For the Year Ended March 31, 2005**

Economic Factors and Next Year's Budget

The following factors were considered in preparing the Township's budget for the 2005-2006 fiscal year:

- The State of Michigan has made significant cuts in their operating budgets due to a downturn in economy. For 2004-2005 the Township received \$396,750 in state shared revenue, representing 35% of the revenue in the General Fund. The amounts of the state shared revenues for future periods are uncertain and will affect the Township's budgets. Our budgets were prepared with these factors in mind and will need to be revised as needed.

Request for Information

This financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances. If you have questions about this report or would like additional information, contact the Township Clerk's office at Atlas Township, Genesee County, Michigan.

Township of Atlas
Statement of Net Assets
March 31, 2005

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 144,444
Investments	2,444,162
Receivables	
Taxes	66,375
Customers	3,458
Special assessments	176,312
Accrued interest	6,598
Due from other units of government	62,065
Due from other funds	10,000
Prepaid items	10,375
Capital assets, net	<u>1,021,686</u>
 Total assets	 <u>3,945,475</u>
 Liabilities	
Accounts payable	143,422
Accrued and other liabilities	18,364
Noncurrent liabilities	
Due within one year	41,000
Due in more than one year	<u>583,000</u>
 Total liabilities	 <u>785,786</u>

See Accompanying Notes to Financial Statements

Township of Atlas
Statement of Net Assets
March 31, 2005

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	616,686
Restricted for:	
Debt service	137,746
Public safety	373,823
Public works - sewer	122,200
Unrestricted	<u>1,909,234</u>
Total net assets	<u>\$ 3,159,689</u>

See Accompanying Notes to Financial Statements

Township of Atlas
Statement of Activities
For the Year Ended March 31, 2005

Functions/Programs	Program Revenues				Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental activities					Governmental Activities
General government	\$ 408,570	\$ -	\$ 4,844	\$ -	\$ (403,726)
Public safety	620,293	18,001	16,273	39,057	(546,962)
Public works	548,835	132,299	-	-	(416,536)
Community and economic development	24,878	-	-	-	(24,878)
Recreation and culture	4,952	-	-	-	(4,952)
Interest on long-term debt	32,526	9,305	-	-	(23,221)
Total governmental activities	<u>1,640,054</u>	<u>159,605</u>	<u>21,117</u>	<u>39,057</u>	<u>(1,420,275)</u>
General revenues					
Property taxes					873,103
State shared revenue					396,750
Unrestricted investment earnings					33,605
Miscellaneous					<u>318,119</u>
Total general revenues and transfers					<u>1,621,577</u>
Change in net assets					<u>201,302</u>
Net assets - beginning of year (as previously reported)					2,802,390
Prior period adjustment					<u>155,997</u>
Net assets - beginning of year (restated)					<u>2,958,387</u>
Net assets - end of year					<u>\$ 3,159,689</u>

See Accompanying Notes to Financial Statements

Township of Atlas
Governmental Funds
Balance Sheet
March 31, 2005

		Special Revenue Funds		Debt Service Fund	Capital Projects Fund		
	General	Fire Protection Fund	Police Administrative Board	Green Ridge Paving	Green Ridge Paving	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 83,791	\$ 5,000	\$ 4,962	\$ -	\$ 5,000	\$ 45,691	\$ 144,444
Investments	1,599,798	396,074	230,113	-	106,147	112,030	2,444,162
Receivables							
Taxes	19,070	23,508	23,797	-	-	-	66,375
Customers	-	-	-	-	-	3,458	3,458
Special assessments	24,954	-	-	127,916	-	23,442	176,312
Accrued interest and other	6,598	-	-	-	-	-	6,598
Due from other units of government	62,065	-	-	-	-	-	62,065
Due from other funds	33,027	-	-	111,147	-	-	144,174
Prepaid items	9,328	1,047	-	-	-	-	10,375
Total assets	\$ 1,838,631	\$ 425,629	\$ 258,872	\$ 239,063	\$ 111,147	\$ 184,621	\$ 3,057,963

See Accompanying Notes to Financial Statements

**Township of Atlas
Governmental Funds
Balance Sheet
March 31, 2005**

		Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	General	Fire Protection Fund	Police Administrative Board	Green Ridge Paving	Green Ridge Paving		
Liabilities							
Accounts payable	\$ 48,946	\$ 3,686	\$ 90,790	\$ -	\$ -	\$ -	\$ 143,422
Accrued and other liabilities	18,364	-	-	-	-	-	18,364
Due to other funds	1,600	1,215	-	3,600	111,147	16,612	134,174
Deferred revenue	-	-	-	124,319	-	19,207	143,526
Total liabilities	68,910	4,901	90,790	127,919	111,147	35,819	439,486
Fund Balances							
Reserved for:							
Debt service	-	-	-	111,144	-	26,602	137,746
Special revenue funds	-	205,741	168,082	-	-	122,200	496,023
Unreserved							
Designated for:							
Working capital	167,481	-	-	-	-	-	167,481
Garbage service and aquaweed control	221,484	-	-	-	-	-	221,484
Unreserved, reported in:							
General Fund	1,380,756	-	-	-	-	-	1,380,756
Special revenue funds	-	214,987	-	-	-	-	214,987
Total fund balances	1,769,721	420,728	168,082	111,144	-	148,802	2,618,477
Total liabilities and fund balances	\$ 1,838,631	\$ 425,629	\$ 258,872	\$ 239,063	\$ 111,147	\$ 184,621	\$ 3,057,963

See Accompanying Notes to Financial Statements

**Township of Atlas
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
March 31, 2005**

Total fund balances for governmental funds	\$ 2,618,477
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,021,686
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	143,526
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(624,000)</u>
Net assets of governmental activities	<u>\$ 3,159,689</u>

Township of Atlas
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2005

		Special Revenue Funds		Debt Service Fund		
	General	Fire Protection Fund	Police Administrative Board	Green Ridge Paving	Other Governmental Funds	Governmental Funds Total
Revenues						
Taxes	\$ 319,575	\$ 274,632	\$ 278,896	\$ -	\$ -	\$ 873,103
Licenses and permits	69,499	-	-	-	-	69,499
Federal grants	4,844	55,330	-	-	-	60,174
State revenue sharing	396,750	-	-	-	-	396,750
Charges for services	17,405	-	-	8,087	46,613	72,105
Fines and forfeitures	14,035	-	3,966	-	-	18,001
Interest income	23,962	4,699	2,444	1,167	1,333	33,605
Special assessments and other revenue	302,393	81	468	38,585	21,869	363,396
Total revenues	1,148,463	334,742	285,774	47,839	69,815	1,886,633
Expenditures						
Current						
General government	396,088	-	-	-	-	396,088
Public safety	53,815	110,805	389,038	-	-	553,658
Public works	510,200	-	-	-	38,635	548,835
Community and economic development	24,878	-	-	-	-	24,878
Recreation and culture	4,952	-	-	-	-	4,952
Capital outlay	7,050	97,641	-	-	-	104,691
Debt service						
Principal retirement	-	-	-	35,000	80,000	115,000
Interest and fiscal charges	-	-	-	12,120	20,406	32,526
Total expenditures	996,983	208,446	389,038	47,120	139,041	1,780,628
Excess (deficiency) of revenues over expenditures	151,480	126,296	(103,264)	719	(69,226)	106,005

See Accompanying Notes to Financial Statements

Township of Atlas
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2005

		Special Revenue Funds		Debt Service Fund		
	General	Fire Protection Fund	Police Administrative Board	Green Ridge Paving	Other Governmental Funds	Governmental Funds Total
Other financing sources (uses)						
Transfers in	-	-	-	-	56,150	56,150
Transfers out	-	(56,150)	-	-	-	(56,150)
Total other financing sources and uses	-	(56,150)	-	-	56,150	-
Net change in fund balance	151,480	70,146	(103,264)	719	(13,076)	106,005
Fund balance - beginning of year (as previously reported)	1,462,244	350,582	271,346	110,425	161,878	2,356,475
Prior period adjustment	155,997	-	-	-	-	155,997
Fund balance - beginning of year (restated)	1,618,241	350,582	271,346	110,425	161,878	2,512,472
Fund balance - end of year	<u>\$ 1,769,721</u>	<u>\$ 420,728</u>	<u>\$ 168,082</u>	<u>\$ 111,144</u>	<u>\$ 148,802</u>	<u>\$ 2,618,477</u>

Township of Atlas
Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2005

Net change in fund balances - total governmental funds

\$ 106,005

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense

(79,117)

Capital outlay

104,691

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Special assessments

(45,277)

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments of long-term debt

115,000

Change in net assets of governmental activities

\$ 201,302

Township of Atlas
Fiduciary Funds
Statement of Assets and Liabilities
March 31, 2005

Assets	<u>Agency Funds</u>
Cash and cash equivalents	<u>\$ 10,000</u>
Liabilities	
Due to other funds	<u>\$ 10,000</u>

Township of Atlas
Notes to Financial Statements
March 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Township of Atlas is governed by an elected five-member Board. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations.

The Township has implemented *GASB Statement No. 14, The Financial Reporting Entity and Statement of Michigan Governmental Accounting and Auditing No. 5*, which defines the reporting of primary government and component unit activities. The basic criterion of including a public authority in a governmental unit's general purpose financial report is the exercise of financial responsibility over such agency by the governmental unit's elected officials, the selection of the governing authority, the designation of management, the ability to exert significant influence on operations.

Blended component unit

Atlas Township Building Authority (the "Building Authority:") – The Building Authority is governed by a Board that is appointed by the Township supervisor. Although it is legally separate from the Township, it is reported as if it were part of the primary government because its sole purpose is to finance and construct the Township's public buildings. The financial statements of the Building Authority are consolidated with the financial statements of the Township as follows:

- a. The assets of the Building Authority held for payment of the outstanding bond issue are reported in the Debt Service Funds.

- b. Fixed asset records (Township hall and fire station) of the Building Authority are maintained by the primary government.
- c. Remaining amounts due on bonds issued by the Building Authority are reported on the government wide financial report.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Township of Atlas
Notes to Financial Statements
March 31, 2005

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Protection Fund and Police Administrative Board are special revenue funds and are restricted to expenditures for that purpose.

Debt Service Funds record the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds are financial resources to be used for the acquisition or construction of major capital facilities and infrastructure.

Additionally, the government reports the following:

Current Tax Collection Fund accounts for property tax and other deposits collected on behalf of other units and individuals.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Township of Atlas
Notes to Financial Statements
March 31, 2005

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2004 taxable valuation of the government totaled \$282,311,615, on which ad valorem taxes consisted of 2.7512 mills for operating, fire, and police purposes. This resulted in \$776,396 for operating, fire, and police protection expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Prepaid items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	7 to 30 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

Township of Atlas
Notes to Financial Statements
March 31, 2005

Long-term obligations – In the government-wide financial statements, in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the Township's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY **Budgetary information**

The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual

budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township supervisor is required to submit to the Township Board a proposed operating budget for the commencing fiscal year prior to its start each year. The operating budget includes proposed expenditures and the means to finance them. Budgets are prepared on a basis consistent with the accounting basis utilized by the fund. Public hearings are conducted to obtain taxpayer comments.
2. Prior to March 31, the budget was legally enacted through passage of a resolution.
3. The Township supervisor is authorized to transfer budget small amounts (no specified limit) between departments within any fund with subsequent Board ratification. Any revisions altering the total expenditures of a particular fund must be approved by the Board. Annual appropriations lapse at fiscal year end.

Excess of expenditures over appropriations

Expenditures in violation of the Public Act 621 are disclosed as being over budget on the required supplemental information – budgetary comparison schedule of the general fund, fire protection fund, and police administrative board on pages 5-1 to 5-5.

Township of Atlas
Notes to Financial Statements
March 31, 2005

NOTE 3 - DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The governing body has designated one bank for the deposit of local unit funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

	Cash and Cash Equivalents	Investments
Total primary government	\$ 144,444	\$ 2,444,162

The breakdown between deposits and investments are as follows:

	Primary Government
Bank deposits (checking and savings accounts)	\$ 144,244
Certificate of Deposit	725,352
Deposits in investment pools	1,718,810
Petty cash and cash on hand	<u>200</u>
	<u>\$ 2,588,606</u>

Deposits

The bank balance was \$ 926,010 at year end. Of the bank balance, \$ 200,000 was covered by federal depository insurance and \$ 726,010 was uninsured and uncollateralized.

Township of Atlas
Notes to Financial Statements
March 31, 2005

Investments

Investments are classified into three categories to give an indication of the level of risk assumed by the government. Category 1 includes investments that are insured or registered or for which the securities are held by the government or its agency in the government's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agency in the government's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the government's name.

At year-end, investment balances were categorized as follows:

	Category	Reported Amount (Fair Value)
	<u>1</u>	
Primary government		
Certificate of Deposit	\$ 725,352	\$ 725,352
Investments not subject to categorization		
Investment pools		<u>1,718,810</u>
		<u>\$ 2,444,162</u>

NOTE 4 - RECEIVABLES AND DEFERRED REVENUE

Receivables consist primarily of amounts for taxes and customer charges. No allowance for doubtful accounts is considered necessary and credit risk is minimal because of the large number of customers and the authority of the Township to add receivables to the tax rolls which are secured by the underlying property.

The only receivables not expected to be collected within one year are as follows:

	Due After One Year	Fund
Primary government		
Special assessments	\$ 124,319	Green Ridge Paving
Special assessments	<u>19,207</u>	East Lake Paving
	<u>\$ 143,526</u>	

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Primary government	
Special assessments	<u>143,526</u>

Township of Atlas
Notes to Financial Statements
March 31, 2005

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 19,001	\$ -	\$ -	\$ 19,001
Total capital assets not being depreciated	19,001	-	-	19,001
Capital assets being depreciated				
Buildings, additions and improvements	999,581	-	-	999,581
Machinery and equipment	97,881	104,691	-	202,572
Vehicles	642,689	-	-	642,689
Total capital assets being depreciated	1,740,151	104,691	-	1,844,842
Less accumulated depreciation for				
Buildings, additions and improvements	273,083	23,178	-	296,261
Machinery and equipment	10,449	22,973	-	33,422
Vehicles	479,508	32,966	-	512,474
Total accumulated depreciation	763,040	79,117	-	842,157
Net capital assets being depreciated	977,111	25,574	-	1,002,685
Governmental activities capital assets, net	\$ 996,112	\$ 25,574	\$ -	\$ 1,021,686

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 12,482
Public safety	66,635
Total governmental activities	<u>\$ 79,117</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General	Atlas Meadows Septic	\$ 16,042
General	Fire Protection	1,215
General	Green Ridge Debt Service	3,600
General	East Lake	570
General	Aqua Weed	1,600
General	Tax Collection Fund	10,000
Debt Service	Capital Projects	111,147
		<u>\$ 144,174</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year.

Interfund balances are included in the funds financial statements but have been eliminated from the government wide financial statements.

The details for interfund transfers are as follows:

Funds Transferred From	Funds Transferred To	Amount
Fire Protection	Building authority	\$ 56,150

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided for matching funds for various grant programs.

Township of Atlas
Notes to Financial Statements
March 31, 2005

NOTE 7 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government.

Long-term obligation activity is summarized as follows:

	<u>Amount of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities									
Bonds payable									
General obligation bonds									
1993 Building authority	\$ 675,000	2004	5.00%	\$35,000	\$ 35,000	\$ -	\$ 35,000	\$ -	\$ -
2004 Building authority	445,000	2013	2.00 - 4.00%	\$40,000 - \$60,000	445,000		40,000	405,000	-
Special assessment obligations									
1999 Green Ridge Road Paving	360,000	2009	3.85 - 4.40%	\$35,000 - \$40,000	220,000		35,000	185,000	35,000
1999 East Lake Road Paving	57,000	2009	7.70%	\$5,000 - \$8,000	39,000	-	5,000	34,000	6,000
Total governmental activities					<u>\$ 739,000</u>	<u>\$ -</u>	<u>\$ 115,000</u>	<u>\$ 624,000</u>	<u>\$ 41,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year Ending March 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 41,000	\$ 11,542
2007	86,000	20,754
2008	87,000	17,883
2009	92,000	14,743
2010	98,000	11,126
2011-2015	<u>220,000</u>	<u>17,075</u>
	<u>\$ 624,000</u>	<u>\$ 93,123</u>

Township of Atlas
Notes to Financial Statements
March 31, 2005

NOTE 8 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Defined benefit pension plan

The Township had a defined benefit plan covering certain full time salaried employees, except for volunteer firemen and seasonal employees. Employees are eligible to participate from the date of employment. The plan was terminated on December 21, 2004.

Plan description - The Township participated in a defined contribution benefit plan "Manulife Plan" for government employees with Manufacturers Life Insurance Company.

Funding Policy - The Township contributed a flat rate based upon the employee's annual compensation with maximum of \$700 per covered employee.

Annual pension cost - The Township contributed \$ 7,052 in 2005 and employees contributed \$ 0.

NOTE 10 - DEFERRED COMPENSATION PLAN

The Township offers qualified participants a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The AXA plan requires a vesting period of three years from the

date of entry into the plan at a 15 percent contribution. The plan participants include all elected officials, full-time office employees, Deputy Clerk, and the Deputy Treasurer. This plan was effective December 21, 2004. The amount contributed by the Township during 2004 under the deferred compensation plan was \$ 8,938.

NOTE 11 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

In addition, the Township as entered into a contract for policing services through September 2005. The potential remaining balance on the contract is \$ 187,133 at March 31, 2005.

The Township has committed approximately \$31,000 to the Hegel Road bike and hiking path. The commitment is from the general fund budget and approximately \$4,500 has been spent so far.

NOTE 12 - PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of \$ 155,997 was made to the general fund to record revenue received in prior years.

Township of Atlas
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property taxes	\$ 250,000	\$ 250,000	\$ 225,284	\$ (24,716)
Administration fee	80,000	80,000	94,291	14,291
Licenses and permits	56,600	56,600	69,499	12,899
Federal grants	-	-	4,844	4,844
State revenue sharing	397,004	397,004	396,750	(254)
Charges for services	13,500	13,500	17,405	3,905
Fines and forfeitures	12,000	12,000	14,035	2,035
Interest income	5,100	5,100	23,962	18,862
Other revenue	261,000	261,000	302,393	41,393
Total revenues	<u>1,075,204</u>	<u>1,075,204</u>	<u>1,148,463</u>	<u>73,259</u>
Expenditures				
General government				
Township board	244,837	244,837	204,871	(39,966)
Supervisor	38,351	38,351	31,334	(7,017)
Accounting	32,000	32,000	7,405	(24,595)
Clerk	44,902	44,902	48,184	3,282
Board of review	1,500	1,500	450	(1,050)
Treasurer	45,402	45,402	41,114	(4,288)
Assessor	44,849	44,849	47,566	2,717
Elections	1,000	1,000	155	(845)
Buildings and grounds	41,500	41,500	15,009	(26,491)
Total general government	<u>494,341</u>	<u>494,341</u>	<u>396,088</u>	<u>(98,253)</u>

See Accompanying Notes to Financial Statements

Township of Atlas
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2005

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public safety				
Police	-	-	(119)	(119)
Fire department	3,000	3,000	2,182	(818)
Building inspection department	50,000	50,000	51,752	1,752
Total public safety	53,000	53,000	53,815	815
Public works				
Department of public works	41,000	41,000	29,932	(11,068)
Drains	15,363	15,363	40,852	25,489
Highways, streets and bridges	200,000	200,000	213,690	13,690
Street lighting	10,000	10,000	8,428	(1,572)
Sanitary land fill	210,000	210,000	217,298	7,298
Total public works	476,363	476,363	510,200	33,837
Community and economic development				
Planning	35,000	35,000	23,218	(11,782)
Zoning	5,000	5,000	1,660	(3,340)
Total community and economic development	40,000	40,000	24,878	(15,122)
Recreation and culture				
Library	6,500	6,500	4,952	(1,548)
Total recreation and culture	6,500	6,500	4,952	(1,548)

Township of Atlas
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2005

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>7,050</u>	<u>2,050</u>
Total expenditures	<u>1,075,204</u>	<u>1,075,204</u>	<u>996,983</u>	<u>(78,221)</u>
Excess of revenues over expenditures	-	-	151,480	151,480
Fund balance - beginning of year (as previously recorted)	<u>1,462,244</u>	<u>1,462,244</u>	<u>1,462,244</u>	<u>-</u>
Prior period adjustment	<u>155,997</u>	<u>155,997</u>	<u>155,997</u>	<u>-</u>
Fund balance - beginning of year (restated)	<u>1,618,241</u>	<u>1,618,241</u>	<u>1,618,241</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,618,241</u>	<u>\$ 1,618,241</u>	<u>\$ 1,769,721</u>	<u>\$ 151,480</u>

Township of Atlas
Required Supplemental Information
Budgetary Comparison Schedule
Fire Protection Fund
For the Year Ended March 31, 2005

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 249,292	\$ 249,292	\$ 274,632	\$ 25,340
Federal grants	55,330	55,330	55,330	-
Interest income	-	-	4,699	4,699
Other revenue	-	-	81	81
Total revenues	<u>304,622</u>	<u>304,622</u>	<u>334,742</u>	<u>30,120</u>
Expenditures				
Public safety	279,000	279,000	110,805	(168,195)
Capital outlay	79,000	79,000	97,641	18,641
Transfers out	13,000	13,000	56,150	43,150
Total expenditures	<u>371,000</u>	<u>371,000</u>	<u>264,596</u>	<u>(106,404)</u>
Excess of revenues (deficiency) over expenditures	(66,378)	(66,378)	70,146	136,524
Fund balance - beginning of year	<u>350,582</u>	<u>350,582</u>	<u>350,582</u>	<u>-</u>
Fund balance - end of year	<u>\$ 284,204</u>	<u>\$ 284,204</u>	<u>\$ 420,728</u>	<u>\$ 136,524</u>

Township of Atlas
Required Supplemental Information
Budgetary Comparison Schedule
Police Administrative Board
For the Year Ended March 31, 2005

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 264,416	\$ 264,416	\$ 278,896	\$ 14,480
Fines and forfeitures	7,500	7,500	3,966	(3,534)
Interest income	2,500	2,500	2,444	(56)
Other revenue	-	-	468	468
Total revenues	<u>274,416</u>	<u>274,416</u>	<u>285,774</u>	<u>11,358</u>
Expenditures				
Public safety	<u>374,416</u>	<u>374,416</u>	<u>389,038</u>	<u>14,622</u>
Total expenditures	<u>374,416</u>	<u>374,416</u>	<u>389,038</u>	<u>14,622</u>
Excess of revenues (deficiency) over expenditures	(100,000)	(100,000)	(103,264)	(3,264)
Fund balance - beginning of year	<u>271,346</u>	<u>271,346</u>	<u>271,346</u>	<u>-</u>
Fund balance - end of year	<u>\$ 171,346</u>	<u>\$ 171,346</u>	<u>\$ 168,082</u>	<u>\$ (3,264)</u>

Township of Atlas
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
March 31, 2005

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Sewer Receiving Fund</u>	<u>Atlas Meadows Septic Fund</u>	<u>Building Authority Fire Hall</u>	<u>East Lake Paving Assessment</u>	
Assets					
Cash and cash equivalents	\$ 5,000	\$ 13,519	\$ 3,548	\$ 23,624	\$ 45,691
Receivables					
Customers	3,458	-	-	-	3,458
Special assessments	-	4,235	-	19,207	23,442
Total assets	<u>\$ 120,488</u>	<u>\$ 17,754</u>	<u>\$ 3,548</u>	<u>\$ 42,831</u>	<u>\$ 184,621</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	16,042	-	570	16,612
Deferred revenue	-	-	-	19,207	19,207
Total liabilities	<u>-</u>	<u>16,042</u>	<u>-</u>	<u>19,777</u>	<u>35,819</u>
Fund Balances					
Reserved for:					
Debt service	-	-	3,548	23,054	26,602
Special revenue funds	120,488	1,712	-	-	122,200
Total fund balances	<u>120,488</u>	<u>1,712</u>	<u>3,548</u>	<u>23,054</u>	<u>148,802</u>
Total liabilities and fund balances	<u>\$ 120,488</u>	<u>\$ 17,754</u>	<u>\$ 3,548</u>	<u>\$ 42,831</u>	<u>\$ 184,621</u>

See Accompanying Notes to Financial Statements

Township of Atlas
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended March 31, 2005

	<u>Special Revenue Funds</u>			<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Sewer Receiving Fund</u>	<u>Atlas Meadows Septic Fund</u>	<u>Building Authority Fire Hall</u>	<u>East Lake Paving Assessment</u>	
Revenues					
Charges for services	\$ 45,395	\$ -	\$ -	\$ 1,218	\$ 46,613
Interest income	1,261	(39)	27	84	1,333
Other revenue	-	17,645	-	4,224	21,869
Total revenues	<u>46,656</u>	<u>17,606</u>	<u>27</u>	<u>5,526</u>	<u>69,815</u>
Expenditures					
Public works	22,593	16,042	-	-	38,635
Debt service					
Principal retirement	-	-	75,000	5,000	80,000
Interest and fiscal charges	-	-	17,025	3,381	20,406
Total expenditures	<u>22,593</u>	<u>16,042</u>	<u>92,025</u>	<u>8,381</u>	<u>139,041</u>
Excess (deficiency) of revenues over expenditures	<u>24,063</u>	<u>1,564</u>	<u>(91,998)</u>	<u>(2,855)</u>	<u>(69,226)</u>

Township of Atlas
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended March 31, 2005

	<u>Special Revenue Funds</u>			<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Sewer Receiving Fund</u>	<u>Atlas Meadows Septic Fund</u>	<u>Building Authority Fire Hall</u>	<u>East Lake Paving Assessment</u>	
Other financing sources (uses)					
Transfers in	<u>-</u>	<u>-</u>	<u>56,150</u>	<u>-</u>	<u>56,150</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>56,150</u>	<u>-</u>	<u>56,150</u>
Net change in fund balance	24,063	1,564	(35,848)	(2,855)	(13,076)
Fund balance - beginning of year	<u>96,425</u>	<u>148</u>	<u>39,396</u>	<u>25,909</u>	<u>161,878</u>
Fund balance - end of year	<u>\$ 120,488</u>	<u>\$ 1,712</u>	<u>\$ 3,548</u>	<u>\$ 23,054</u>	<u>\$ 148,802</u>

Township of Atlas
Other Supplemental Information
Schedule of Indebtedness
March 31, 2005

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Semi-Annual Interest Payments		Total
				May 1st	Nov 1st	
Governmental Activities	2.00%	2005	\$ -	\$ -	\$ 6,314	\$ 6,314
2004 Building Authority	2.00%	2006	45,000	6,314	5,864	57,178
Amount of issue - \$ 445,000	2.25%	2007	45,000	5,864	5,358	56,222
	2.70%	2008	45,000	5,358	4,750	55,108
	3.00%	2009	50,000	4,750	4,000	58,750
	3.25%	2010	55,000	4,000	3,106	62,106
	3.50%	2011	50,000	3,106	2,231	55,338
	3.75%	2012	55,000	2,231	1,200	58,431
	4.00%	2013	60,000	1,200	-	61,200
			<u>\$ 405,000</u>	<u>\$ 32,823</u>	<u>\$ 32,823</u>	<u>\$ 470,646</u>
	7.70%	2005	\$ 6,000	\$ -	\$ 1,309	\$ 7,309
1999 East Lake Paving	7.70%	2006	6,000	1,078	1,078	8,156
Amount of issue - \$ 57,000	7.70%	2007	7,000	847	847	8,694
	7.70%	2008	7,000	578	577	8,155
	7.70%	2009	8,000	308	308	8,616
			<u>\$ 34,000</u>	<u>\$ 2,811</u>	<u>\$ 4,119</u>	<u>\$ 40,930</u>
	4.05%	2005	\$ 35,000	\$ -	\$ 3,919	\$ 38,919
1999 Green Ridge Paving	4.15%	2006	35,000	3,210	3,210	41,420
Amount of issue - \$ 360,000	4.25%	2007	35,000	2,484	2,484	39,968
	4.30%	2008	40,000	1,740	1,740	43,480
	4.40%	2009	40,000	880	880	41,760
			<u>\$ 185,000</u>	<u>\$ 8,314</u>	<u>\$ 12,233</u>	<u>\$ 205,546</u>



May 13, 2005

To the Members of the Township Board
Township of Atlas

In planning and performing our audit of the basic financial statements of the Township of Atlas, Michigan for the year ended March 31, 2005; we considered its internal control system in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal controls. As a result of the aforementioned study, we became aware of several issues regarding compliance and internal controls that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated May 13, 2005, on the financial statements of the Township of Atlas.

Current Year Comments and Recommendations

TOWNSHIP BUDGET

We noted the Township's budget did not include all items required by the Budget Act. The missing items included the beginning and ending fund balance for each year presented. The Uniform Budget Manual also requires the Township pass a general appropriations act or budget for each special revenue fund. The Township did not pass a budget for the Atlas Meadows Septic Fund for the year ended March 31, 2005.

ACCOUNTING POLICY AND PROCEDURES MANUAL

We suggest the Township Board appoint a committee to begin a process to document policies and procedures relating to accounting, record keeping, investments, credit cards, and financial decision making. We would encourage the Township Board to take an active role in the development policies and procedures that are specific to your Township to ensure consistency in financial record keeping and reporting into the future.

ELECTRONIC FUND TRANSFER POLICY

Our procedures noted no policy regarding electronic fund transfers.

We recommend a policy be established in accordance with State of Michigan requirements.

CAPITAL ASSETS

The Township is currently preparing a schedule of current year capital assets additions but should also prepare a schedule of assets disposed of during the year. The disposal of assets should be reviewed periodically and the disposal date and amount should be noted on the fixed asset record. In addition, the Board should also establish a capitalization threshold.

On July 18, 2005, the Township adopted a capitalization policy.

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GREEN RIDGE SPECIAL ASSESSMENT COLLECTIONS

Special assessment collections for Green Ridge Paving are being recorded in the capital projects fund rather than the debt service fund. We recommend that the activity being recorded in fund 815 be recorded in fund 301. In addition, the bank account needs to be closed and a new account needs to be established as a debt service fund.

AQUA WEED, GREEN RIDGE PAVING AND EAST LAKE PAVING ADMINISTRATIVE FEES

The annual administrative fee for these funds was not reimbursed to the general fund during the year. We recommend an annual reconciliation be performed and the cash transferred to the general fund.

GREEN RIDGE AND EAST LAKE PAVING ASSESSMENT LEVY RECONCILIATIONS

We recommend that an assessment and collection reconciliation be prepared for each special assessment to tie out the current year revenue and delinquent receivables. This will facilitate the recording of the adjustment to the deferred revenue and receivables accounts for the current year.

SEGREGATION OF DUTIES

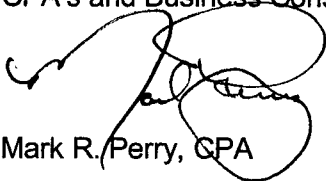
We noted that there is oversight of the reconciliation process of the bank accounts to the book balances; however to assure better segregation of duties, we recommend that the treasurer reconcile the bank accounts and that the bookkeeper post the journal entries.

This report is intended solely for the use of management and should not be used for any other purposes. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Township Board, is a matter of public record.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Township personnel and we will be pleased to discuss them in further detail at your convenience, to perform any additional studies or to assist you in implementing any of these matters or other accounting or reporting issues for which you would like additional information or guidance.

Sincerely,

YEO & YEO, P.C.
CPA's and Business Consultants



Mark R. Perry, CPA

MRP:Its